



**WARREN COUNTY, MISSOURI
TWO YEARS ENDED DECEMBER 31, 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-23
March 12, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

March 2004

IMPORTANT: The Missouri State Auditor is required by Missouri law to conduct audits only once every four years in counties, like Warren, which do not have a county auditor. However, to assist such counties in meeting federal audit requirements, the State Auditor will also provide a financial and compliance audit of various county operating funds every two years. This voluntary service to Missouri counties can only be provided when state auditing resources are available and it does not interfere with the State Auditor's constitutional responsibility of auditing state government.

Once every four years, the State Auditor's statutory audit will cover additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Warren County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Some federal grants received on behalf of the county were not maintained in a bank account controlled by the County Treasurer. In addition, a budget was not prepared for these funds and they were not included in the county's published financial statement.
- The approved budget documents for the General Revenue Fund, Capital Improvement Fund and the Road and Bridge Capital Fund did not adequately project the anticipated financial position for the years ended December 31, 2002 and 2001. The significant differences noted resulted mainly from overestimating disbursements, which decreases the effectiveness of the budget as a management tool.
- The Associate Circuit Division's accounting controls and procedures need improvement. Receipts are not posted or deposited on a timely basis and accounting duties are not adequately segregated.
- The county does not have written agreements with political subdivisions on housing prisoners. The Sheriff's department does not receipt monies in a timely manner, restrictively endorse checks and money orders immediately upon receipt, perform monthly bank reconciliations, or reconcile the monthly listing of prisoner account balances (open items) to the book balance.

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YELLOW SHEET

- Collateral securities were not pledged by the Senate Bill 40 (SB40) Board's depository bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. Additionally, the regular SB40 board minutes did not document the specific reasons for closing meetings and the matters discussed in closed session did not appear to be in compliance with state law. Finally, the Senate Bill 40 Board budgets did not accurately reflect the board's financial position.

The audit also suggested improvements to procedures for county general fixed asset records and included recommendations to the Circuit Clerk on accrued court costs.

All reports are available on our website: www.auditor.mo.gov

WARREN COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON
THE FINANCIAL STATEMENTS**

To the County Commission
and
Officeholders of Warren County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Warren County, Missouri, as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2002 and 2001, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated September 11, 2003, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Warren County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill
State Auditor

September 11, 2003 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Debra S. Lewis, CPA
Audit Staff:	B. Simpson
	A. Dailey
	Carl E. Zilch, Jr.



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Warren County, Missouri

We have audited the financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Warren County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Warren County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce

to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Warren County, Missouri, and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

September 11, 2003 (fieldwork completion date)

Financial Statements

Exhibit A

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,518,048	2,455,170	2,293,881	1,679,337
Special Road and Bridge	527,929	1,344,326	1,300,754	571,501
Assessment	8,717	320,367	294,993	34,091
Law Enforcement	119,392	2,080,442	2,159,813	40,021
Officer's Training	6,088	12,889	14,227	4,750
Prosecuting Attorney Training	12,199	2,235	0	14,434
Capital Improvement	1,963,155	1,145,400	699,385	2,409,170
Prosecuting Attorney Delinquent Tax	17,868	806	1,060	17,614
Prosecuting Attorney Bad Check	53,805	20,223	17,292	56,736
Recorder's User Fees	56,121	30,054	5,641	80,534
Sheriff's Civil Fees	15,293	43,200	35,190	23,303
Road and Bridge Capital	534,026	108,170	290,549	351,647
Prosecuting Attorney Forfeiture	3,556	1,952	0	5,508
Election Services	7,058	3,956	133	10,881
Domestic Violence	0	2,966	2,966	0
Sheriff's Forfeiture	0	9,653	0	9,653
Senate Bill 40 Board	193,186	399,312	410,584	181,914
Circuit Clerk Interest	44,793	10,374	8,416	46,751
Associate Circuit Division Interest	12,718	1,649	73	14,294
Law Library	13,547	15,690	14,920	14,317
DARE	9,761	669	2,000	8,430
Recorder Technology	0	19,068	0	19,068
Tax Maintenance	0	2,583	0	2,583
Turning Point CDBG	0	101,386	101,386	0
Total	\$ 5,117,260	8,132,540	7,653,263	5,596,537

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A

WARREN COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2001

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,325,474	2,284,501	2,091,927	1,518,048
Special Road and Bridge	720,745	1,315,734	1,508,550	527,929
Assessment	18,297	268,789	278,369	8,717
Law Enforcement	7,815	2,193,952	2,082,375	119,392
Officer's Training	18,797	17,229	29,938	6,088
Prosecuting Attorney Training	9,562	2,797	160	12,199
Capital Improvement	1,427,526	1,133,356	597,727	1,963,155
Prosecuting Attorney Delinquent Tax	15,852	2,016	0	17,868
Prosecuting Attorney Bad Check	55,217	20,194	21,606	53,805
Recorder's User Fees	31,035	26,606	1,520	56,121
Sheriff's Civil Fees	10,668	35,783	31,158	15,293
Road and Bridge Capital	417,610	116,416	0	534,026
Prosecuting Attorney Forfeiture	3,393	163	0	3,556
Election Services	2,633	4,673	248	7,058
Domestic Violence	0	2,392	2,392	0
Senate Bill 40 Board	194,695	371,048	372,557	193,186
Circuit Clerk Interest	32,584	14,666	2,457	44,793
Associate Circuit Division Interest	11,421	3,783	2,486	12,718
Law Library	12,642	14,132	13,227	13,547
DARE	10,686	1,075	2,000	9,761
Turning Point CDBG	0	114,870	114,870	0
Total	\$ 4,326,652	7,944,175	7,153,567	5,117,260

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 8,190,956	8,028,571	(162,385)	7,559,303	7,828,230	268,927
DISBURSEMENTS	9,629,285	7,551,877	(2,077,408)	9,327,845	7,036,697	(2,291,148)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,438,329)	476,694	1,915,023	(1,768,542)	791,533	2,560,075
CASH, JANUARY 1	5,076,791	5,117,260	40,469	4,315,257	4,315,966	709
CASH, DECEMBER 31	3,638,462	5,593,954	1,955,492	2,546,715	5,107,499	2,560,784
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	258,000	331,510	73,510	250,000	257,248	7,248
Sales taxes	1,125,000	1,114,993	(10,007)	1,000,000	1,072,964	72,964
Intergovernmental	209,171	127,290	(81,881)	157,475	124,840	(32,635)
Charges for services	670,900	777,541	106,641	607,000	713,294	106,294
Interest	44,000	25,740	(18,260)	48,000	58,568	10,568
Other	67,400	78,096	10,696	116,000	57,587	(58,413)
Total Receipts	2,374,471	2,455,170	80,699	2,178,475	2,284,501	106,026
DISBURSEMENTS						
County Commissioner	118,446	111,633	6,813	113,125	104,261	8,864
County Clerk	149,027	136,266	12,761	149,162	133,284	15,878
Elections	75,000	58,065	16,935	15,700	5,142	10,558
Buildings and grounds	305,000	162,321	142,679	315,000	184,396	130,604
County Treasurer	41,777	40,354	1,423	39,478	38,519	959
County Collector	175,059	161,409	13,650	171,322	144,966	26,356
Ex Officio Recorder of Deed	65,044	62,293	2,751	56,743	53,111	3,632
Circuit Clerk	25,459	19,485	5,974	22,300	19,348	2,952
Associate Circuit Court	25,663	25,314	349	25,738	23,397	2,341
Court administration	18,550	12,532	6,018	14,460	7,963	6,497
Public Administrator	24,730	22,927	1,803	26,280	22,966	3,314
Sanitation Officer	90,130	77,920	12,210	88,507	79,941	8,566
Prosecuting Attorney	242,244	227,328	14,916	216,565	207,470	9,095
Juvenile Officer	107,115	85,762	21,353	116,297	85,520	30,777
County Coroner	40,142	40,130	12	39,416	30,336	9,080
Court Reporter	8,000	2,751	5,249	11,000	3,794	7,206
County Nurse	195,054	139,185	55,869	186,016	132,249	53,767
Surveyor	1,360	402	958	1,560	1,212	348
Emergency Manager	46,664	22,929	23,735	6,720	6,314	406
Planning and Zoning	125,855	111,461	14,394	129,333	106,878	22,455
Administration	326,039	213,905	112,134	329,701	209,539	120,162
Child Support Enforcement	33,240	28,900	4,340	30,525	26,321	4,204
Victim Advocate	47,567	5,609	41,958	0	0	0
Transfers out	525,000	525,000	0	595,000	465,000	130,000
Emergency Fund	200,000	0	200,000	200,000	0	200,000
Total Disbursements	3,012,165	2,293,881	718,284	2,899,948	2,091,927	808,021
RECEIPTS OVER (UNDER) DISBURSEMENTS	(637,694)	161,289	798,983	(721,473)	192,574	914,047
CASH, JANUARY 1	1,518,048	1,518,048	0	1,325,474	1,325,474	0
CASH, DECEMBER 31	880,354	1,679,337	798,983	604,001	1,518,048	914,047

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	556,000	608,913	52,913	517,000	560,631	43,631
Intergovernmental	751,000	705,085	(45,915)	724,550	704,229	(20,321)
Interest	26,000	12,650	(13,350)	37,000	37,427	427
Other	15,500	17,678	2,178	30,000	13,447	(16,553)
Total Receipts	1,348,500	1,344,326	(4,174)	1,308,550	1,315,734	7,184
DISBURSEMENTS						
Salaries	250,000	240,463	9,537	250,000	217,829	32,171
Employee fringe benefit	45,222	40,847	4,375	43,744	35,321	8,423
Supplies	11,000	7,549	3,451	11,000	7,842	3,158
Insurance	15,000	21,366	(6,366)	20,000	13,476	6,524
Road and bridge materials	445,000	400,102	44,898	450,000	531,378	(81,378)
Equipment repairs	45,000	39,401	5,599	45,000	43,495	1,505
Non reimbursed construction	100,000	4,680	95,320	90,000	62,222	27,778
Equipment purchases	150,000	83,617	66,383	200,000	122,112	77,888
Hired machinery	30,000	10,853	19,147	40,000	16,333	23,667
Road oil	100,000	88,007	11,993	150,000	106,176	43,824
Gravel	275,000	224,745	50,255	300,000	211,178	88,822
New bridges	50,000	0	50,000	50,000	0	50,000
Dust abatement	14,000	12,513	1,487	20,000	13,088	6,912
Other	38,000	26,611	11,389	46,000	28,100	17,900
Transfers out	100,000	100,000	0	100,000	100,000	0
Total Disbursements	1,668,222	1,300,754	367,468	1,815,744	1,508,550	307,194
RECEIPTS OVER (UNDER) DISBURSEMENTS	(319,722)	43,572	363,294	(507,194)	(192,816)	314,378
CASH, JANUARY 1	527,929	527,929	0	720,745	720,745	0
CASH, DECEMBER 31	208,207	571,501	363,294	213,551	527,929	314,378
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	298,000	310,696	12,696	282,000	257,881	(24,119)
Interest	2,150	1,226	(924)	4,000	3,369	(631)
Other	7,000	8,445	1,445	8,500	7,539	(961)
Total Receipts	307,150	320,367	13,217	294,500	268,789	(25,711)
DISBURSEMENTS						
Assessor	309,906	294,993	14,913	312,787	278,369	34,418
Total Disbursements	309,906	294,993	14,913	312,787	278,369	34,418
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,756)	25,374	28,130	(18,287)	(9,580)	8,707
CASH, JANUARY 1	8,717	8,717	0	18,297	18,297	0
CASH, DECEMBER 31	5,961	34,091	28,130	10	8,717	8,707

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT FUND</u>						
RECEIPTS						
Sales Tax	1,125,000	1,115,002	(9,998)	1,000,000	1,074,341	74,341
Intergovernmental	34,995	25,264	(9,731)	24,000	24,232	232
Charges for service:	385,000	364,310	(20,690)	425,000	612,761	187,761
Interest	2,400	1,916	(484)	5,000	4,218	(782)
Other	110,000	48,950	(61,050)	89,500	13,400	(76,100)
Transfers in	525,000	525,000	0	595,000	465,000	(130,000)
Total Receipts	2,182,395	2,080,442	(101,953)	2,138,500	2,193,952	55,452
DISBURSEMENTS						
Sheriff	1,331,453	1,259,424	72,029	1,193,328	1,118,905	74,423
Jail	965,578	900,389	65,189	952,865	963,470	(10,605)
Total Disbursements	2,297,031	2,159,813	137,218	2,146,193	2,082,375	63,818
RECEIPTS OVER (UNDER) DISBURSEMENTS	(114,636)	(79,371)	35,265	(7,693)	111,577	119,270
CASH, JANUARY 1	119,392	119,392	0	7,815	7,815	0
CASH, DECEMBER 31	4,756	40,021	35,265	122	119,392	119,270
<u>OFFICER'S TRAINING FUND</u>						
RECEIPTS						
Charges for service:	16,000	12,216	(3,784)	18,000	15,472	(2,528)
Interest	300	73	(227)	1,000	777	(223)
Other	0	600	600	0	980	980
Total Receipts	16,300	12,889	(3,411)	19,000	17,229	(1,771)
DISBURSEMENTS						
Sheriff	22,300	14,227	8,073	35,000	29,938	5,062
Total Disbursements	22,300	14,227	8,073	35,000	29,938	5,062
RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,000)	(1,338)	4,662	(16,000)	(12,709)	3,291
CASH, JANUARY 1	6,088	6,088	0	18,797	18,797	0
CASH, DECEMBER 31	88	4,750	4,662	2,797	6,088	3,291
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	2,400	2,016	(384)	2,500	2,307	(193)
Interest	322	219	(103)	500	490	(10)
Total Receipts	2,722	2,235	(487)	3,000	2,797	(203)
DISBURSEMENTS						
Prosecuting Attorney	7,500	0	7,500	4,500	160	4,340
Total Disbursements	7,500	0	7,500	4,500	160	4,340
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,778)	2,235	7,013	(1,500)	2,637	4,137
CASH, JANUARY 1	12,199	12,199	0	9,562	9,562	0
CASH, DECEMBER 31	7,421	14,434	7,013	8,062	12,199	4,137

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CAPITAL IMPROVEMENT FUND</u>						
RECEIPTS						
Sales tax	1,125,000	1,114,991	(10,009)	1,000,000	1,074,244	74,244
Interest	57,500	30,409	(27,091)	50,000	57,561	7,561
Other	1,000	0	(1,000)	200	1,551	1,351
Total Receipts	1,183,500	1,145,400	(38,100)	1,050,200	1,133,356	83,156
DISBURSEMENTS						
Equipment	200,000	25,199	174,801	200,000	26,937	173,063
Bond principal and interest payment	686,000	669,551	16,449	660,000	570,414	89,586
Capital construction	200,000	4,635	195,365	200,000	376	199,624
Total Disbursements	1,086,000	699,385	386,615	1,060,000	597,727	462,273
RECEIPTS OVER (UNDER) DISBURSEMENTS	97,500	446,015	348,515	(9,800)	535,629	545,429
CASH, JANUARY 1	1,963,155	1,963,155	0	1,427,526	1,427,526	0
CASH, DECEMBER 31	2,060,655	2,409,170	348,515	1,417,726	1,963,155	545,429
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	1,300	543	(757)	1,100	1,246	146
Interest	479	263	(216)	900	770	(130)
Total Receipts	1,779	806	(973)	2,000	2,016	16
DISBURSEMENTS						
Prosecuting Attorney	7,500	1,060	6,440	7,500	0	7,500
Total Disbursements	7,500	1,060	6,440	7,500	0	7,500
RECEIPTS OVER (UNDER) DISBURSEMENTS	(5,721)	(254)	5,467	(5,500)	2,016	7,516
CASH, JANUARY 1	17,868	17,868	0	15,852	15,852	0
CASH, DECEMBER 31	12,147	17,614	5,467	10,352	17,868	7,516
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for services	18,000	19,429	1,429	31,000	17,900	(13,100)
Interest	1,680	794	(886)	4,000	2,121	(1,879)
Other	0	0	0	0	173	173
Total Receipts	19,680	20,223	543	35,000	20,194	(14,806)
DISBURSEMENTS						
Prosecuting Attorney	53,499	17,292	36,207	55,999	21,606	34,393
Total Disbursements	53,499	17,292	36,207	55,999	21,606	34,393
RECEIPTS OVER (UNDER) DISBURSEMENTS	(33,819)	2,931	36,750	(20,999)	(1,412)	19,587
CASH, JANUARY 1	53,805	53,805	0	55,217	55,217	0
CASH, DECEMBER 31	19,986	56,736	36,750	34,218	53,805	19,587

Exhibit B

WARREN COUNTY, MISSOURI
COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for services:	20,000	29,125	9,125	15,000	24,900	9,900
Interest	1,250	929	(321)	2,000	1,706	(294)
Total Receipts	21,250	30,054	8,804	17,000	26,606	9,606
DISBURSEMENTS						
Ex Officio Recorder of Deed	37,162	0	37,162	30,000	1,520	28,480
Transfers Out	0	5,641	(5,641)	0	0	0
Total Disbursements	37,162	5,641	31,521	30,000	1,520	28,480
RECEIPTS OVER (UNDER) DISBURSEMENTS	(15,912)	24,413	40,325	(13,000)	25,086	38,086
CASH, JANUARY 1	56,121	56,121	0	31,035	31,035	0
CASH, DECEMBER 31	40,209	80,534	40,325	18,035	56,121	38,086
<u>SHERIFF'S CIVIL FEES FUND</u>						
RECEIPTS						
Charges for services:	35,000	42,953	7,953	35,000	35,205	205
Interest	300	247	(53)	240	578	338
Total Receipts	35,300	43,200	7,900	35,240	35,783	543
DISBURSEMENTS						
Sheriff	45,000	35,190	9,810	36,000	31,158	4,842
Total Disbursements	45,000	35,190	9,810	36,000	31,158	4,842
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,700)	8,010	17,710	(760)	4,625	5,385
CASH, JANUARY 1	15,293	15,293	0	10,668	10,668	0
CASH, DECEMBER 31	5,593	23,303	17,710	9,908	15,293	5,385
<u>ROAD AND BRIDGE CAPITAL FUND</u>						
RECEIPTS						
Interest	7,500	8,170	670	12,000	16,416	4,416
Transfers in	100,000	100,000	0	100,000	100,000	0
Total Receipts	107,500	108,170	670	112,000	116,416	4,416
DISBURSEMENTS						
Real estate purchases	100,000	0	100,000	200,000	0	200,000
Capital construction	500,000	290,549	209,451	300,000	0	300,000
Total Disbursements	600,000	290,549	309,451	500,000	0	500,000
RECEIPTS OVER (UNDER) DISBURSEMENTS	(492,500)	(182,379)	310,121	(388,000)	116,416	504,416
CASH, JANUARY 1	534,026	534,026	0	417,610	417,610	0
CASH, DECEMBER 31	41,526	351,647	310,121	29,610	534,026	504,416

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY FORFEITURE FUND</u>						
RECEIPTS						
Charges for service:	0	1,890	1,890	200	163	(37)
Interest	100	62	(38)	0	0	0
Total Receipts	100	1,952	1,852	200	163	(37)
DISBURSEMENTS						
Equipment	1,000	0	1,000	1,000	0	1,000
Training	1,500	0	1,500	1,500	0	1,500
Other	500	0	500	400	0	400
Total Disbursements	3,000	0	3,000	2,900	0	2,900
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2,900)	1,952	4,852	(2,700)	163	2,863
CASH, JANUARY 1	3,556	3,556	0	3,393	3,393	0
CASH, DECEMBER 31	656	5,508	4,852	693	3,556	2,863
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	2,500	3,829	1,329	1,100	4,493	3,393
Interest	110	127	17	110	180	70
Total Receipts	2,610	3,956	1,346	1,210	4,673	3,463
DISBURSEMENTS						
Office supplies	2,000	0	2,000	1,000	0	1,000
Equipment	2,000	0	2,000	1,000	0	1,000
Other	2,000	133	1,867	1,000	248	752
Total Disbursements	6,000	133	5,867	3,000	248	2,752
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,390)	3,823	7,213	(1,790)	4,425	6,215
CASH, JANUARY 1	7,058	7,058	0	2,633	2,633	0
CASH, DECEMBER 31	3,668	10,881	7,213	843	7,058	6,215
<u>DOMESTIC VIOLENCE FUND</u>						
RECEIPTS						
Charges for service:	3,000	2,966	(34)	4,000	2,392	(1,608)
Total Receipts	3,000	2,966	(34)	4,000	2,392	(1,608)
DISBURSEMENTS						
Health and welfare	3,000	2,966	34	4,000	2,392	1,608
Total Disbursements	3,000	2,966	34	4,000	2,392	1,608
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	0	0	0
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	0	0	0	0	0	0

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF'S FORFEITURE FUND</u>						
RECEIPTS						
Charges for service:	10,000	9,637	(363)			
Interest	0	16	16			
Total Receipts	10,000	9,653	(347)			
DISBURSEMENTS						
Equipment	10,000	0	10,000			
Total Disbursements	10,000	0	10,000			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	9,653	9,653			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	0	9,653	9,653			
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	524,017	391,047	(132,970)	322,317	357,911	35,594
Loan repayment	0	0	0	3,111	4,667	1,556
Interest	8,500	4,122	(4,378)	4,000	8,470	4,470
Other	0	4,143	4,143	0	0	0
Total Receipts	532,517	399,312	(133,205)	329,428	371,048	41,620
DISBURSEMENTS						
Programs	406,000	410,584	(4,584)	379,355	372,557	6,798
Total Disbursements	406,000	410,584	(4,584)	379,355	372,557	6,798
RECEIPTS OVER (UNDER) DISBURSEMENTS	126,517	(11,272)	(137,789)	(49,927)	(1,509)	48,418
CASH, JANUARY 1	152,728	193,186	40,458	193,528	194,695	1,167
CASH, DECEMBER 31	279,245	181,914	(97,331)	143,601	193,186	49,585
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	6,500	10,374	3,874	10,000	14,666	4,666
Total Receipts	6,500	10,374	3,874	10,000	14,666	4,666
DISBURSEMENTS						
Circuit Clerk	10,000	8,416	1,584	10,000	2,457	7,543
Total Disbursements	10,000	8,416	1,584	10,000	2,457	7,543
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,500)	1,958	5,458	0	12,209	12,209
CASH, JANUARY 1	44,453	44,793	340	32,584	32,584	0
CASH, DECEMBER 31	40,953	46,751	5,798	32,584	44,793	12,209

Exhibit B

WARREN COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2002			2001		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ASSOCIATE CIRCUIT DIVISION INTEREST FUND</u>						
RECEIPTS						
Interest	3,800	1,649	(2,151)	7,000	3,783	(3,217)
Total Receipts	3,800	1,649	(2,151)	7,000	3,783	(3,217)
DISBURSEMENTS						
Associate Circuit Judge	4,000	73	3,927	8,919	2,486	6,433
Total Disbursements	4,000	73	3,927	8,919	2,486	6,433
RECEIPTS OVER (UNDER) DISBURSEMENTS	(200)	1,576	1,776	(1,919)	1,297	3,216
CASH, JANUARY 1	12,718	12,718	0	11,421	11,421	0
CASH, DECEMBER 31	12,518	14,294	1,776	9,502	12,718	3,216
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	14,000	15,690	1,690	14,000	14,132	132
Total Receipts	14,000	15,690	1,690	14,000	14,132	132
DISBURSEMENTS						
Law Library	23,000	14,920	8,080	16,000	13,227	2,773
Total Disbursements	23,000	14,920	8,080	16,000	13,227	2,773
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,000)	770	9,770	(2,000)	905	2,905
CASH, JANUARY 1	14,262	13,547	(715)	13,100	12,642	(458)
CASH, DECEMBER 31	5,262	14,317	9,055	11,100	13,547	2,447
<u>DARE FUND</u>						
RECEIPTS						
Donations	1,000	669	(331)			
Total Receipts	1,000	669	(331)			
DISBURSEMENTS						
Scholarships	2,000	2,000	0			
Total Disbursements	2,000	2,000	0			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,000)	(1,331)	(331)			
CASH, JANUARY 1	9,375	9,761	386			
CASH, DECEMBER 31	8,375	8,430	55			
<u>RECORDER TECHNOLOGY FUND</u>						
RECEIPTS						
Charges for service:	11,000	13,083	2,083			
Interest	240	344	104			
Transfers in	5,642	5,641	(1)			
Total Receipts	16,882	19,068	2,186			
DISBURSEMENTS						
Equipment	16,000	0	16,000			
Total Disbursements	16,000	0	16,000			
RECEIPTS OVER (UNDER) DISBURSEMENTS	882	19,068	18,186			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	882	19,068	18,186			

Notes to the Financial Statements

WARREN COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Warren County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Senate Bill 40 Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
DARE Fund	2001
Tax Maintenance Fund	2002
Turning Point CDBG Fund	2002 and 2001

Warrants issued were in excess of budgeted amounts for the Senate Bill 40 Board Fund in 2002. Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets.

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements for the years ended December 31, 2002 and 2001, did not include the Turning Point CDBG Fund.

In addition, for the Senate Bill 40 Fund, the county's published financial statements for the years ended December 31, 2002 and 2001, included only those amounts that passed through the County Treasurer.

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy. The policy permits investments in securities having principal and interest guaranteed by the United States government, collateralized time and demand deposits, and certain tax exempt bonds.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2002 and 2001, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Senate Bill 40 Board's deposits at December 31, 2002 and 2001, were entirely covered by federal depositary insurance.

However, because of significantly higher bank balances at certain times during the year, uninsured and uncollateralized balances existed at those times although not at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

Schedule

WARREN COUNTY, MISSOURI
SCHEDULE OF FINDINGS
YEARS ENDED DECEMBER 31, 2002 AND 2001

This schedule includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Follow-up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

WARREN COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2000, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

WARREN COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Warren County, Missouri, as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 11, 2003.

We also have audited the operations of elected officials with funds other than those presented in the financial statements. As applicable, the objectives of this audit were to:

1. Determine the internal controls established over the transactions of the various county officials.
2. Review and evaluate certain other management practices for efficiency and effectiveness.
3. Review certain management practices and financial information for compliance with applicable legal provisions.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed accounting and bank records and other pertinent documents and interviewed various personnel of the county officials.

As part of our audit, we assessed the controls of the various county officials to the extent we determined necessary to evaluate the specific matters described above and not to provide assurance on those controls. With respect to controls, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation and we assessed control risk.

Because the Emergency Services Board is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed those audit reports and other applicable information.

Our audit was limited to the specific matters described in the preceding paragraphs and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention that would have been included in this report.

The accompanying Management Advisory Report presents our findings arising from our audit of the elected county officials and the board referred to above. In addition, this report includes findings other than those, if any, reported in the accompanying Schedule of Findings. These findings resulted from our audit of the financial statements of Warren County but do not meet the criteria for inclusion in the written report on compliance and on internal control over financial reporting that is required for an audit performed in accordance with *Government Auditing Standards*.

1. County Controls and Procedures
--

Some federal grants received on behalf of the county were not maintained in a bank account controlled by the County Treasurer. In addition, a budget was not prepared for these funds and they were not included in the county's published financial statement.

The county contracts for administrative services for various programs with Booneslick Regional Planning Commission (BRPC). Program monies are deposited to the bank account maintained by the BRPC. The BRPC prepares the checks and the Presiding Commissioner and Treasurer sign the checks. The County Commission obtains and reviews supporting documentation for the expenditures. Monies handled by the BRPC totaled approximately \$119,000 and \$165,000 in 2002 and 2001, respectively.

All monies received on behalf of the county should be in the custody of the County Treasurer and disbursed through the county's expenditure system. Section 54.140, RSMo 2000, provides that it shall be the duty of the county treasurer to separate and divide the revenues of the county as they come into his hands and to pay out the revenues on warrants issued by the county commission. In addition, Chapter 50, RSMo 2000, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing and obtaining budgets for all county funds and activities, the county commission is able to more effectively evaluate all county financial resources. Also, Section 50.800, RSMo 2000, provides that the financial statements show receipts, or revenues, disbursements, or expenditures and beginning and ending balances for all county funds. For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included.

A similar condition was noted in prior audits.

WE RECOMMEND the County Commission ensure all county funds are held in the custody of the County Treasurer and disbursed through the county's expenditure system, complete and accurate budgets are prepared or obtained for all county funds, and financial information for all county funds is properly reported in the annual published financial statements.

AUDITEE'S RESPONSE

We will implement this recommendation immediately. We will request the County Treasurer review the bank reconciliations for the existing grants. All new grants will be budgeted and held in the custody of the County Treasurer.

2. Budgetary Practices

The approved budget documents for the General Revenue Fund, Capital Improvement Fund and the Road and Bridge Capital Fund did not adequately project the anticipated financial

position for the years ended December 31, 2002 and 2001. The following are estimated cash balances as compared to actual ending cash balances of the three funds at December 31, 2002 and 2001:

Cash Balance – December 31, 2002

	<u>Estimated Per Budget</u>	<u>Actual</u>
General Revenue Fund	\$ 880,354	\$1,679,337
Capital Improvement Fund	2,060,655	2,409,170
Road and Bridge Capital Fund	41,526	351,647

Cash Balance – December 31, 2001

	<u>Estimated Per Budget</u>	<u>Actual</u>
General Revenue Fund	\$ 604,001	\$1,518,048
Capital Improvement Fund	1,417,726	1,963,155
Road and Bridge Capital Fund	29,610	534,026

These significant differences resulted mainly from overestimating disbursements. The overestimated disbursements of the Capital Improvement Fund are due primarily to the county estimating disbursements each year of approximately \$200,000 for equipment purchases and \$200,000 for capital construction for the renovation of the second floor of the courthouse into a third courtroom. The overestimated disbursements of the Road and Bridge Capital Fund are due to a combination of the county anticipating purchasing land and constructing a new building and long-term equipment needs which were not filled. For the past few years, the county has budgeted significantly more for some of the General Revenue Fund categories than has historically been spent, in an attempt to allow for possible, but not specifically identified, contingencies.

Prudent fiscal management of county funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies. While it appears the County Commission's intent is to keep sufficient reserves in these funds; the current budgets do not effectively inform county residents of this intent. Such intent would be more properly communicated to county residents through a formal reserve of the fund balance.

The practice of overestimating expenditures results in an inaccurate statement of the County's financial position. The practice of routinely budgeting to spend significantly more resources than truly intended decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

WE RECOMMEND the County Commission prepare reasonable estimates of disbursements so that projected reserves are more properly presented in the annual budgets. If the County Commission desires to build up reserves for future specific need, this information should be communicated through the budget message.

AUDITEE'S RESPONSE

We are trying to build a reserve in the Capital Improvements Fund for future building needs. The courtroom remodeling and other projects are still in progress. The Road and Bridge Capital Fund has been budgeted to purchase Missouri Department of Transportation's (MoDOT) highway shed when it becomes available. We budget this yearly based on information available from MoDOT so we would not have to amend the budget when it does become available for purchase. We believe we are doing the best we can with the General Revenue Fund. We try to budget on the conservative side.

AUDITOR'S COMMENT

The county's current budgeting practices significantly reduce the effectiveness of the budget as a planning tool and do not provide reasonable information for making long-term plans.

3. General Fixed Assets and Procedures

The county has not established a written policy related to the handling and accounting for general fixed assets. Per Section 49.091, RSMo 2000, the County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, Section 49.093, RSMo 2000, provides that the officer or their designee is responsible for performing periodic inventories and inspections. Currently, the County Clerk maintains a master listing of general fixed assets which includes the purchase price or value, serial number, and acquisition/disposition dates. Each official is supposed to do an annual physical inventory of their assets, and submit the listing to the County Clerk for updating of the master listing. Our review of the general fixed asset records indicated the following areas where improvements are needed:

- Physical inventories are not conducted annually. The last physical inventory was apparently conducted in 2001, however such physical inventory results were not filed with the County Clerk for some of the offices.
- The County Clerk does not prepare a summary of changes in general fixed assets at each year end reconciling beginning balances, additions, and deletions.
- The County Clerk's master fixed asset listing does not always include all information applicable to the item. Information such as serial numbers, acquisition/disposition dates, and purchase price or value is not always recorded.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Annual physical inventories of county property are necessary to ensure the fixed asset records are accurate, identify any unrecorded additions and deletions, detect theft of assets, and identify obsolete assets.

WE RECOMMEND the County Commission establish a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

AUDITEE'S RESPONSE

We will implement this recommendation immediately. The new accounting system should automatically add the purchase information to the master general fixed asset listing. We will discuss the need for a policy.

4. Associate Circuit Division's Accounting Controls and Procedures

The Associate Circuit Division collects various fees for civil, criminal and municipal court cases. Deposits for these fees totaled approximately \$1,116,700 and \$1,208,800 for the years ended December 31, 2002 and 2001, respectively. Our review of the Associate Circuit Division's accounting controls and procedures noted receipts are not posted or deposited on a timely basis and accounting duties are not adequately segregated.

- A. Receipts are not posted to accounting records or deposited on a timely basis. Our cash count on July 10, 2003, totaled approximately \$8,300, with at least one receipt dating back to April 2003, of which only \$296 had been posted to the accounting records. The Associate Clerk indicated she was having problems with implementation of the new computer system and was holding these monies until she could get things straightened out. In addition, checks and money orders received are not restrictively endorsed immediately upon receipt. Instead, endorsement is applied at the time of deposit.

To adequately safeguard receipts and reduce the risk of loss or misuse of funds, all receipts should be posted to the accounting records in a timely manner and deposited daily or when receipts exceed \$100. In addition, checks and money orders received should be restrictively endorsed immediately upon receipt.

- B. Accounting duties are not specifically defined to an individual thus, duties are not adequately segregated. All clerks share the duties of receiving, depositing and disbursing monies, preparing bank reconciliations, and maintaining accounting records. There is no documentation that an independent review of deposits and accounting records is performed.

Defined duties and proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

WE RECOMMEND the Associate Division:

- A. Ensure all receipts are posted to the accounting records in a timely manner and deposited daily or when receipts exceed \$100. In addition, ensure all checks and money orders are restrictively endorsed immediately upon receipt.
- B. Adequately segregate accounting duties by defining the duties of employees or ensure periodic supervisory reviews are performed and documented.

AUDITEE'S RESPONSE

- A. *We have implemented this recommendation. During the audit period, we converted to a new system (JIS) which contributed to us falling behind in our accounting duties. By the end of February 2004, everything will be updated and current in the new system. We are now restrictively endorsing all checks and money orders received.*
- B. *We will implement this recommendation immediately. We will review bank reconciliations and reconcile deposits to receipt slips.*

5. Circuit Clerk's Accounting Controls and Procedures
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Formal procedures have not been established to ensure all accrued costs are adequately identified and pursued. When costs are initially assessed to a case, the Circuit Clerk prepares and sends a cost bill to the defendant. If payment is not received, the Circuit Clerk does not initiate any further collection procedures. In addition, summary records are not maintained of accrued cost balances nor does the Circuit Clerk periodically determine total accrued costs. The Circuit Clerk was able to generate a report as of August 2003 which indicated there is approximately \$300,000 in accrued case costs.

To ensure that all applicable receipts are received by the court, formal procedures should be established and records of accrued cost balances should be maintained. These records should be periodically reviewed to ensure accrued costs are identified and followed up in a timely manner.

WE RECOMMEND the Circuit Clerk maintain a complete listing of accrued costs and establish procedures to routinely follow-up and pursue timely collection.

AUDITEE'S RESPONSE

In June 2003, our office went live on a new system called the Justice Information System (JIS). This system enables us to now print a report of accrued case costs. This report is given to the Prosecuting Attorney to evaluate and if he chooses, file a motion to revoke probation. If the motion is granted, a new court date will be established for the defendant; at which time the judge will make a decision on the case.

6.

Sheriff's Controls and Procedures

The Sheriff receives money for civil and criminal fees, gun permits, board bills, jail phone commissions, bonds, and other miscellaneous receipts. The Sheriff also maintains a separate accounting system to handle personal inmate monies and operate a commissary for inmates. Our review of the Sheriff's accounting controls and procedures noted that the county does not have written agreements with the political subdivisions housing prisoners, monies received are not receipted in a timely manner, checks and money orders are not restrictively endorsed immediately upon receipt, monthly bank reconciliations are not performed, and the monthly listing of prisoner account balances (open items) is not reconciled to the book balance.

- A. The Sheriff's Department boards prisoners for other political subdivisions. During the two years ended December 31, 2002 and 2001, the county collected approximately \$274,200 and \$448,000, respectively, for boarding prisoners. The county does not have written agreements with these entities regarding the housing rate to be paid or the services to be provided.

Section 432.070, RSMo 2000, requires the county to have all contracts in writing. Written agreements should be prepared with political subdivisions for services provided. The agreements should clearly specify the arrangements between parties for the services provided and be approved by the County Commission.

- B. Monies received are not receipted in a timely manner. In addition, checks and money orders are not restrictively endorsed immediately upon receipt. Instead, a receipt is written and an endorsement is applied at the time the deposit is made. To reduce the risk of loss or misuse of funds, all monies received should be receipted and checks and money orders should be restrictively endorsed immediately upon receipt.
- C. Monthly bank reconciliations are not performed and the monthly listing of prisoner account balances (open items) is not being reconciled to the book balance.

As of December 31, 2002, the sheriffs department was carrying a book balance of \$7,964 while the reconciled bank balance was \$8,376. In addition, identified liabilities on the open items listing were \$7,279.

The preparation of monthly reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors on a timely basis. In addition, reconciling the book balance to the open items listing is necessary

to ensure records are in balance and that sufficient cash is available to cover prisoner account balances.

WE RECOMMEND the Sheriff:

- A. And the County Commission enter into written agreements for the boarding of prisoners.
- B. Ensure monies are receipted and checks and money orders are restrictively endorsed immediately upon receipt.
- C. Ensure bank reconciliations are prepared on a monthly basis. In addition, the book balance should be reconciled to the open items listing.

AUDITEE'S RESPONSE

A. *The Sheriff's Department indicated:*

We have partially implemented this recommendation. We now have written contracts with the out of county entities. We are in the process of scheduling a meeting with the County Commission and local municipalities to discuss the contract draft.

The County Commission indicated:

On January 15, 2000, we approved a contract to be used for this. It is up to the Sheriff's Department to utilize it. We will work in conjunction with the Sheriff's office on implementing and enforcing a contract with the local municipalities.

B&C. *The Sheriff's Department indicated:*

We have implemented these recommendations.

7. Senate Bill 40 Board's Controls and Procedures
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Collateral securities were not pledged by the Senate Bill 40 (SB40) Board's depository bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage. Additionally, the regular board minutes did not document the specific reasons for closing the meeting and the matters discussed in closed session did not appear to be in compliance with state law. Finally, the Senate Bill 40 Board budgets did not accurately reflect the board's financial condition.

- A. Collateral securities were not pledged by the Senate Bill 40 (SB40) Board's depository bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage of \$100,000. There were five months during the two years ended

December 31, 2002, where the bank balance exceeded the FDIC coverage. The highest bank balance noted was in March 2002 of approximately \$127,000.

Section 110.020, RSMo 2000, requires the value of securities pledged shall at all times be not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave county funds unsecured and subject to loss in the event of bank failure.

A similar condition was noted in our prior report.

- B. The regular board meeting minutes did not document specific reasons for closing the meeting and some matters discussed did not appear to be in compliance with state law. Section 610.021, RSMo 2000, allows the Board to discuss certain subjects in closed meetings including litigation, real estate transactions, personnel issues, some competitive bidding issues, and confidential or privileged communications with auditors. Section 610.022, RSMo 2000, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such a meeting, record, or vote.
- C. Annual budgets approved by the board for 2002 and 2001 did not contain accurate Cash Reconciliations or Summaries of Available Resources, Estimated Revenues and Appropriations for Expenditures and Estimated Ending Balance. In addition, actual and budgeted cash and receipts as reflected on the detailed budget documents did not agree to the cash reconciliation or the summary data. Also, beginning and ending cash balances reflected in the Cash Reconciliation did not agree from year to year. While the accounting records were accurate, it appears the treasurer made several posting and footing errors when compiling the budgets.

Chapter 50, RSMo 2000, requires the budget present a complete financial plan for the ensuing year. Documenting a complete summary of available resources, a cash reconciliation, and accurate actual data from preceding years is necessary to present a complete financial plan.

WE RECOMMEND the Senate Bill 40 Board of Directors:

- A. Ensure collateral securities are pledged for all deposits in excess of FDIC coverage.
- B. Ensure closed meetings are conducted in accordance with state law. In addition, the Board should ensure all final disposition of applicable matters discussed in closed session are recorded in the open meeting minutes.
- C. Prepare a complete and accurate budget document.

AUDITEE'S RESPONSE

- A. *We now have collateral pledged in the amount of \$200,000.*
- B. *We are aware of the state statutes regarding closed meetings, however we failed to document the necessary information in our minutes. We will also be more aware of what is discussed in closed session to ensure it is in compliance with state law.*
- C. *After discussions with the auditors, we are now aware of how to prepare the budget documents.*

Follow-Up on Prior Audit Findings

WARREN COUNTY, MISSOURI FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Warren County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1998. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. County Controls and Procedures

- A. There was no documentation of the discussion by the County Commission of which firms to use for various professional services or the criteria on which they based their selection. In addition, the County Commission did not have written contracts for the legal services.
- B. The county personnel manual was not provided to employees unless requested and only included policies related to holiday, vacation, and sick leave.
- C. The County Clerk was not submitting the COPS grant reimbursement claims in a timely manner.
- D. Some federal grants received on behalf of the county and matching funds provided by other entities were not maintained in a bank account controlled by the County Treasurer.

Recommendation:

The County Commission:

- A. Document the basis for selection of providers of professional services and enter into written agreements for such services.
- B. Develop a comprehensive employee manual to be distributed to all county elected officials and employees.
- C. And the County Clerk submit the COPS grant reimbursement claims in a timely manner.
- D. Ensure all county funds are held in the custody of the County Treasurer and are disbursed through the county's expenditure system.

Status:

- A. Partially implemented. The County Commission is now documenting the basis for selection of professional services; however, they are not always entering into written agreements for such services. Although not repeated in the current report, our recommendation remains as stated above.

B&C. Implemented

- D. Not implemented. See MAR finding number 1.

2. Budgetary Practices and Published Financial Statements

- A. Formal budgets were not prepared or obtained for various county funds.
- B. The annual published financial statements of the county did not include the financial activity of some county funds in the custody of the regional planning commission.
- C. Actual expenditures exceeded approved budgeted expenditures for some funds.

Recommendation:

The County Commission:

- A. Ensure budgets are prepared or obtained for all county funds.
- B. Ensure financial information for all county funds is properly reported in the annual published financial statements.
- C. Not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office.

Status:

A&B. Not implemented. See MAR finding number 1.

C. Implemented

3. Allocated Distributions

The County Clerk did not correctly apportion 1998 railroad and utility taxes to the school districts.

Recommendation:

The County Clerk consult with the various school districts and the Missouri Department of Elementary and Secondary Education for guidance on how to correct these past errors.

Status:

Implemented. The County Clerk adjusted the next years distribution amounts to correct the errors.

4. Property Tax Controls and Procedures

The County Clerk did not generate or verify the back tax books.

Recommendation:

The County Clerk generate or foot the back tax books and formally verify individual entries to ensure the accuracy of the back tax books.

Status:

Partially implemented. The County Clerk is now test footing the back tax books; however, the County Clerk is not formally verifying individual entries to ensure the accuracy of the back tax books. Although not repeated in our current MAR, our recommendation remains as stated above.

5. Senate Bill 40 Board's Collateral Security

Collateral securities were not pledged by the Senate Bill 40 (SB40) Board's depository bank for deposits in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

Recommendation:

The Senate Bill 40 Board of Directors ensure collateral securities are pledged for all deposits in excess of FDIC coverage.

Status:

Not Implemented. See MAR finding number 7.

STATISTICAL SECTION

History, Organization, and
Statistical Information

WARREN, MISSOURI HISTORY, ORGANIZATION, AND STATISTICAL INFORMATION

Organized in 1833, the county of Warren was named after Joseph Warren, a Revolutionary War Patriot. Warren County is a county-organized, third-class county and is part of the 12th Judicial Circuit. The county seat is Warrenton.

Warren County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 315 miles of county roads and 52 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 14,900 in 1980, and 24,525 in 2000. The following chart shows the county's change in assessed valuation since 1980:

	Year Ended December 31,					
	2002	2001	2000	1999	1985*	1980**
	(in millions)					
Real estate	\$ 237.4	227.3	206.5	193.9	97.6	34.8
Personal property	74.3	69.2	64.6	55.7	14.2	8.4
Railroad and utilities	30.2	31.6	27.6	28.1	21.6	7.0
Total	\$ 341.9	328.1	298.7	277.7	133.4	50.2

* First year of statewide reassessment

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Warren County's property tax rates per \$100 of assessed valuations were as follows:

	Year Ended December 31,			
	2002	2001	2000	1999
General Revenue Fund	\$ 0.0734	0.0937	0.0737	0.0800
Special Road and Bridge Fund	0.1794	0.1789	0.1800	0.1800
Senate Bill 40 Board Fund	0.1200	0.1200	0.1200	0.1200

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
State of Missouri	\$ 105,009	100,668	91,343	86,501
General Revenue Fund	284,761	329,543	247,991	256,423
Special Road and Bridge Fund	633,124	606,190	554,818	525,551
Assessment Fund	177,272	162,048	143,690	135,176
Senate Bill 40 Board Fund	404,985	388,025	351,935	332,129
School districts	12,436,941	11,438,159	10,380,360	9,792,923
Library district	377,650	360,418	327,833	302,539
Ambulance district	1,137,065	805,513	734,520	692,054
Fire protection district	1,255,698	1,119,193	818,927	724,128
Levee Districts	61,074	30,698	40,421	157,264
Hospital	31,197	31,448	22,243	0
Junior College	206,277	200,561	178,324	170,126
Cities	365,727	129,913	122,503	125,320
County Clerk	387	447	393	419
County Employees' Retirement	112,306	101,207	85,272	80,262
Tax Maintenance Fund	20,124	0	0	0
Other	3,258	1,827	1,701	2,970
Commissions and fees:				
General Revenue Fund	289,202	259,184	228,187	214,639
Total	\$ 17,902,059	16,065,043	14,330,462	13,598,425

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2003	2002	2001	2000
Real estate	92.3	91.1	92.4	92.4 %
Personal property	83.7	85.3	83.9	85.3
Railroad and utilities	99.5	99.2	100.0	98.6

Warren County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
General	\$.0050	None	50 %	
Capital improvements	.0050	2009	None	
Emergency services	.0050	None	None	
Law enforcement service:	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2003	2002	2001	2000	1999
County-Paid Officials:					
Fred G. Vahle, Presiding Commissioner	\$	31,700	30,380	30,380	30,380
Ken McLaughlin, Associate Commissioner		29,700	28,380		
Arden Engelage, Associate Commissioner		29,700	28,380	19,000	19,000
Margaret B. Kramer, Associate Commissioner				19,000	17,989
Barbara Daly, County Clerk		45,000	43,000	43,000	43,000
Michael S. Wright, Prosecuting Attorney		53,000	53,000	53,000	53,000
Michael Baker, Sheriff		50,600	48,600	37,600	37,600
Gene Cornell, Treasurer		33,300	31,820	31,820	31,820
Roger R. Mauzy Sr., County Coroner		16,000	15,000	6,500	6,500
Floyd Owenby, Public Administrator		20,000	20,000		
Eugene W. Buxton, Public Administrator (1)				9,067	10,360
Linda K. Stude, Collector, year ended February 28,	45,000	43,000	43,000	43,000	
Michael Sutherland, County Assessor, year ended					
August 31, (2)		45,900	43,900	43,900	42,400
Robert L. Lewis, County Surveyor (3)		7,304	12,573	12,030	10,007
State-Paid Officials:					
Jerri Jordan, Circuit Clerk and Ex Officio Recorder of Deed		47,300	47,300	46,126	44,292
Wesley Dalton, Associate Circuit Judge		96,000	96,000		
Kieth M. Sutherland, Associate Circuit Judge				97,382	87,235

(1) Includes fees received from probate cases

(2) Includes \$900 in state salary.

(3) Compensation on a fee basis

The County entered into a lease agreement with the Warren County, Missouri Public Facilities Authority, a not-for-profit corporation on January 1, 1995. The terms of the agreement called for the corporation to issue bonds to be used to construct the Warren County Justice Center and for the bank to lease the justice center back to the county for payments totaling the principal and interest due on the outstanding bonds. Payments are made from the Capital Improvements Fund from sales tax revenue. The term bonds portion of the original issue was refinanced in December 1998. The bonds are scheduled to be paid off in 2010. The remaining principal and interest due on the bonds at December 31, 2002, was \$5,030,040.